

**CITY OF SOUTH PASADENA
FIREFIGHTERS' RETIREMENT SYSTEM**

**SECTION 112.664, FLORIDA STATUTES COMPLIANCE
DETERMINED AS OF THE
OCTOBER 1, 2020 VALUATION DATE**



September 10, 2021

VIA E-MAIL

Ms. Ferrell Jenne, Plan Administrator
Foster & Foster, Inc.
2503 Del Prado Blvd. S., Suite 502
Cape Coral, FL 33904

Re: South Pasadena Firefighters' Retirement System
Section 112.664, Florida Statutes Compliance

Dear Ferrell:

Please find enclosed the annual disclosures that satisfy the October 1, 2020 financial reporting requirements made under Section 112.664.

Our office will submit this information electronically to the Department of Management Services. However, it is important for you to be aware that this report must also be made available on the Plan or Plan Sponsor's website, if such website exists. A deadline for this website publication is not made clear in the law.


In addition to the enclosed report, the Plan or Plan Sponsor's website must provide a link to the Division of Retirement's Actuarial Summary Fact Sheet for the Plan, and also report the previous five years' assumed and actual rates of return, along with their respective asset allocations. The Board should contact its Investment Consultant for this information.

With respect to the reporting standards for defined benefit retirement plans or systems contained in Section 112.664(1), F.S., the actuarial disclosures required under this section were prepared and completed by me or under my direct supervision and I acknowledge responsibility for the results. To the best of my knowledge, the results are complete and accurate, and in my opinion, meet the requirements of Section 112.664(1), Florida Statutes, and Rule 60T-1.0035, Florida Administrative Code.

If there are any questions, concerns, or comments about any of the items contained in this report, please feel free to contact me.

Respectfully submitted,

Foster & Foster, Inc.

By: 

Patrick T. Donlan, EA, ASA, MAAA
Enrolled Actuary #20-6595

Enclosures

cc via email: Stu Kaufman, Board Attorney

When reviewing the following schedules, please note the following:

- 1) The purpose of producing this report is solely to satisfy the requirements set forth by Section 112.664, Florida Statutes, and is mandatory for every Florida public pension fund, excluding the Florida Retirement System (FRS).
- 2) None of the schedules shown have any impact on the funding requirements of the Plan. These schedules are for statutory compliance purposes only.
- 3) In the schedules that follow, the columns labeled “ACTUAL” represent the final recorded GASB 67/68 results. The columns labeled “HYPOTHETICAL” illustrate what the results would have been if different assumptions were used.
- 4) It is our opinion that the Plan’s actual assumptions utilized in the October 1, 2020 Actuarial Valuation Report, as adopted by the Board of Trustees, are reasonable individually and in the aggregate, and represent our best estimate of future Plan experience.
- 5) The “Number of Years Expected Benefit Payments Sustained” calculated in Section II: Asset Sustainability should not be interpreted as the number of years the Plan has left until it is insolvent. This calculation is required by 112.664, Florida Statutes, but the numeric result is irrelevant, since in its calculation we are to assume there will be no further contributions to the Fund. As long as the Actuarially Determined Contribution is made each year the Plan will never become insolvent.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY
FISCAL YEAR SEPTEMBER 30, 2020

	ACTUAL	HYPOTHETICAL	
Discount Rate:	7.50%	5.50%	9.50%
<u>Total Pension Liability</u>			
Service Cost	228,831	356,858	152,464
Interest	703,894	646,717	731,976
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	54,156	79,524	35,794
Changes of Assumptions	(233,428)	(363,035)	(158,048)
Benefit Payments, Including Refunds of Employee Contributions	(594,549)	(594,549)	(594,549)
Net Change in Total Pension Liability	158,904	125,515	167,637
Total Pension Liability - Beginning	9,453,702	11,698,915	7,849,825
Total Pension Liability - Ending (a)	<u>\$ 9,612,606</u>	<u>\$ 11,824,430</u>	<u>\$ 8,017,462</u>
<u>Plan Fiduciary Net Position</u>			
Contributions - Employer	419,769	419,769	419,769
Contributions - State	83,007	83,007	83,007
Contributions - Employee	84,354	84,354	84,354
Net Investment Income	482,152	482,152	482,152
Benefit Payments, Including Refunds of Employee Contributions	(594,549)	(594,549)	(594,549)
Administrative Expenses	(58,913)	(58,913)	(58,913)
Net Change in Plan Fiduciary Net Position	415,820	415,820	415,820
Plan Fiduciary Net Position - Beginning	6,598,065	6,598,065	6,598,065
Plan Fiduciary Net Position - Ending (b)	<u>\$ 7,013,885</u>	<u>\$ 7,013,885</u>	<u>\$ 7,013,885</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 2,598,721</u>	<u>\$ 4,810,545</u>	<u>\$ 1,003,577</u>

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 1
Plan Assumptions: Discount Rate = 7.50%

Fiscal Year Beginning 10/1	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments*	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2020	7,013,244	-	655,374	-	501,417	6,859,287
2021	6,859,287	-	645,438	-	490,243	6,704,092
2022	6,704,092	-	711,071	-	476,142	6,469,163
2023	6,469,163	-	704,106	-	458,783	6,223,840
2024	6,223,840	-	726,425	-	439,547	5,936,962
2025	5,936,962	-	735,504	-	417,691	5,619,149
2026	5,619,149	-	729,901	-	394,065	5,283,313
2027	5,283,313	-	764,512	-	367,579	4,886,380
2028	4,886,380	-	778,997	-	337,266	4,444,649
2029	4,444,649	-	769,659	-	304,486	3,979,476
2030	3,979,476	-	767,622	-	269,675	3,481,529
2031	3,481,529	-	767,030	-	232,351	2,946,850
2032	2,946,850	-	744,212	-	193,106	2,395,744
2033	2,395,744	-	739,590	-	151,946	1,808,100
2034	1,808,100	-	732,136	-	108,152	1,184,116
2035	1,184,116	-	710,685	-	62,158	535,589
2036	535,589	-	689,533	-	-	-

*All Share Balances paid in 2020.

Number of Years Expected Benefit Payments Sustained: 16.78

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 7.50% interest.

It is important to note that as long as the Actuarially Determined Contribution is made each year, the Plan will never become insolvent. Furthermore, State and local laws mandate that the Actuarially Determined Contribution be made each year.

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 2
Hypothetical Assumptions: Discount Rate = 5.50%

Fiscal Year Beginning 10/1	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments*	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2020	7,013,244	-	655,374	-	367,706	6,725,576
2021	6,725,576	-	645,438	-	352,157	6,432,295
2022	6,432,295	-	711,071	-	334,222	6,055,446
2023	6,055,446	-	704,106	-	313,687	5,665,027
2024	5,665,027	-	726,425	-	291,600	5,230,202
2025	5,230,202	-	735,504	-	267,435	4,762,133
2026	4,762,133	-	729,901	-	241,845	4,274,077
2027	4,274,077	-	764,512	-	214,050	3,723,615
2028	3,723,615	-	778,997	-	183,376	3,127,994
2029	3,127,994	-	769,659	-	150,874	2,509,209
2030	2,509,209	-	767,622	-	116,897	1,858,484
2031	1,858,484	-	767,030	-	81,123	1,172,577
2032	1,172,577	-	744,212	-	44,026	472,391
2033	472,391	-	739,590	-	-	-

*All Share Balances paid in 2020.

Number of Years Expected Benefit Payments Sustained: 13.64

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 5.50% interest.

It is important to note that as long as the Actuarially Determined Contribution is made each year, the Plan will never become insolvent. Furthermore, State and local laws mandate that the Actuarially Determined Contribution be made each year.

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 3
Hypothetical Assumptions: Discount Rate = 9.50%

Fiscal Year Beginning 10/1	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments*	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2020	7,013,244	-	655,374	-	635,128	6,992,998
2021	6,992,998	-	645,438	-	633,677	6,981,237
2022	6,981,237	-	711,071	-	629,442	6,899,608
2023	6,899,608	-	704,106	-	622,018	6,817,520
2024	6,817,520	-	726,425	-	613,159	6,704,254
2025	6,704,254	-	735,504	-	601,968	6,570,718
2026	6,570,718	-	729,901	-	589,548	6,430,365
2027	6,430,365	-	764,512	-	574,570	6,240,423
2028	6,240,423	-	778,997	-	555,838	6,017,264
2029	6,017,264	-	769,659	-	535,081	5,782,686
2030	5,782,686	-	767,622	-	512,893	5,527,957
2031	5,527,957	-	767,030	-	488,722	5,249,649
2032	5,249,649	-	744,212	-	463,367	4,968,804
2033	4,968,804	-	739,590	-	436,906	4,666,120
2034	4,666,120	-	732,136	-	408,505	4,342,489
2035	4,342,489	-	710,685	-	378,779	4,010,583
2036	4,010,583	-	689,533	-	348,253	3,669,303
2037	3,669,303	-	664,586	-	317,016	3,321,733
2038	3,321,733	-	640,438	-	285,144	2,966,439
2039	2,966,439	-	623,087	-	252,215	2,595,567
2040	2,595,567	-	603,505	-	217,912	2,209,974
2041	2,209,974	-	584,707	-	182,174	1,807,441
2042	1,807,441	-	566,527	-	144,797	1,385,711
2043	1,385,711	-	541,744	-	105,910	949,877
2044	949,877	-	518,523	-	65,608	496,962
2045	496,962	-	493,183	-	23,785	27,564
2046	27,564	-	467,402	-	-	-

*All Share Balances paid in 2020.

Number of Years Expected Benefit Payments Sustained: 26.06

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 9.50% interest.

It is important to note that as long as the Actuarially Determined Contribution is made each year, the Plan will never become insolvent. Furthermore, State and local laws mandate that the Actuarially Determined Contribution be made each year.

**ACTUAL AND HYPOTHETICAL CONTRIBUTIONS APPLICABLE TO THE FISCAL YEAR
ENDING SEPTEMBER 30, 2022**

Valuation Date: 10/1/2020

	ACTUAL	HYPOTHETICAL	
	7.50%	5.50%	9.50%
Investment Rate of Return:			
Minimum Required Contribution (Fixed \$)	\$618,481	\$883,494	\$403,207
Minimum Required Contribution (% of Payroll)	42.0%	60.2%	27.5%
Expected Member Contribution	91,485	90,604	92,367
Expected State Money	41,577	41,577	41,577
Expected Sponsor Contribution (Fixed \$)	\$485,419	\$751,313	\$269,263
Expected Sponsor Contribution (% of Payroll)	33.0%	51.2%	18.5%

ASSETS

Actuarial Value ¹	7,105,779	7,105,779	7,105,779
Market Value ¹	7,013,244	7,013,244	7,013,244

LIABILITIES

Present Value of Benefits			
Active Members			
Retirement Benefits	5,355,103	7,792,190	3,876,998
Disability Benefits	148,185	209,832	109,715
Death Benefits	27,562	37,500	20,863
Vested Benefits	364,404	596,223	234,474
Refund of Contributions	51,069	53,461	48,901
Service Retirees	4,780,861	5,626,386	4,143,924
DROP Retirees ¹	0	0	0
Beneficiaries	272,176	303,237	246,603
Disability Retirees	629,545	744,962	543,317
Terminated Vested	0	0	0
Share Plan Balances ¹	8,342	8,342	8,342
Total:	11,637,247	15,372,133	9,233,137
Present Value of Future Salaries	11,172,301	12,652,313	10,000,501
Present Value of Future Member Contributions	670,338	759,139	600,030
Total Normal Cost	236,102	368,338	156,374
Present Value of Future Normal Costs (Entry Age Normal)	1,801,733	3,236,844	1,050,879
Total Actuarial Accrued Liability ¹	9,835,514	12,135,289	8,182,258
Unfunded Actuarial Accrued Liability (UAAL)	2,729,735	5,029,510	1,076,479

ACTUAL AND HYPOTHETICAL CONTRIBUTIONS APPLICABLE TO THE FISCAL YEAR
ENDING SEPTEMBER 30, 2022

Valuation Date: 10/1/2020

	ACTUAL	HYPOTHETICAL	
	7.50%	5.50%	9.50%
Investment Rate of Return:			
<u>PENSION COST</u>			
Normal Cost ²	257,326	397,580	172,074
Administrative Expenses ²	56,313	55,770	56,855
Payment Required To Amortize UAAL ²	304,842	430,144	174,278
Minimum Required Contribution	\$618,481	\$883,494	\$403,207

¹ The asset values and liabilities include accumulated DROP and Share Plan Balances as of 9/30/2020.

² Contributions developed as of 10/1/2020 displayed above have been adjusted to account for assumed salary increase and interest components.